

Macomb Academy

**Financial Report
with Supplemental Information
June 30, 2008**

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Independent Auditor's Report

To the Board of Directors
Macomb Academy

We have audited the accompanying financial statements of the governmental activities and the major funds of Macomb Academy (the "Academy") as of and for the year ended June 30, 2008, which collectively comprise Macomb Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Macomb Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Macomb Academy as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Macomb Academy

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Macomb Academy's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2008 on our consideration of Macomb Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 21, 2008

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Basic Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Macomb Academy

We have audited the financial statements of the governmental activities and the major funds of Macomb Academy as of and for the year ended June 30, 2008, which collectively comprise Macomb Academy's basic financial statements, and have issued our report thereon dated October 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Macomb Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Macomb Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Macomb Academy's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the control deficiency that follows to be a significant deficiency in internal control over financial reporting. During our audit testing, we noted that accrued payroll was overstated by \$17,754. Accrued payroll at year end should include those wages earned by June 30, 2008, but paid subsequent to year end. The error was a result of including certain hourly employees in the calculation. Upon discussion of the error, an entry was immediately prepared and posted to the Academy's books.

To the Board of Directors
Macomb Academy

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 21, 2008

Macomb Academy

Management's Discussion and Analysis

This section of Macomb Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Macomb Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's major funds, which include the General Fund, the Capital Projects Fund, and the Debt Service Fund.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for the General Fund

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Macomb Academy

Management's Discussion and Analysis (Continued)

These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net assets and the statement of activities report the governmental activities for the Academy, which encompass all of the Academy's services, including instruction and support services. State aid and state and federal grants finance most of these activities.

Reporting the Academy's Most Significant Funds - Fund Financial Statements

The Academy's fund financial statements provide detailed information about all the Academy's Funds, which is required to be established by state law. The Academy may establish other funds from time to time to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money. The governmental fund of the Academy uses the following accounting approach:

Governmental Funds - All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. It is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and the governmental funds in a reconciliation.

Macomb Academy

Management's Discussion and Analysis (Continued)

The Academy as a Whole

Recall that the statement of net assets provides the perspective of the Academy as a whole. Table I provides a summary of the Academy's net assets as of June 30, 2008 and 2007:

TABLE I

	Governmental Activities	
	2008	2007
	(in thousands)	
Assets		
Current and other assets	\$ 874.8	\$ 292.0
Capital assets - Net	<u>1,172.2</u>	<u>24.6</u>
Total assets	2,047.0	316.6
Liabilities		
Current liabilities	69.7	59.9
Long-term liabilities	<u>1,770.0</u>	<u>-</u>
Total liabilities	<u>1,839.7</u>	<u>59.9</u>
Net Assets		
Invested in capital assets - Net of related debt	(236.3)	24.6
Restricted	210.8	-
Unrestricted	<u>232.8</u>	<u>232.1</u>
Total net assets	<u>\$ 207.3</u>	<u>\$ 256.7</u>

The above analysis focuses on the Academy's net assets (see Table I). The change in net assets of the Academy's governmental activities is discussed below (see Table 2). The Academy's net assets were \$207.3 thousand at June 30, 2008. Capital assets, net of related debt totaling (\$236.3 thousand) compares the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from bond agreements that limit the Academy's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$232.8 thousand) was unrestricted.

The \$232.8 thousand in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the Academy to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of all the funds will have a significant impact on the change in unrestricted net assets from year to year.

Macomb Academy

Management's Discussion and Analysis (Continued)

The results of this year's operations for the Academy as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years June 30, 2008 and 2007 (see Table 2):

TABLE 2

	Governmental Activities	
	2008	2007
	(in thousands)	
Revenue		
Program revenue - Grants	\$ 131.5	\$ 137.0
General revenue:		
State foundation allowance	843.9	804.5
Other	97.1	74.7
Total revenue	1,072.5	1,016.2
Functions/Program Expenses		
Instruction	533.4	481.7
Support services	501.9	439.0
Community services	18.7	23.0
Interest on long-term debt	61.4	-
Depreciation (unallocated)	6.5	5.0
Total functions/program expenses	1,121.9	948.7
(Decrease) Increase in Net Assets	\$ (49.4)	\$ 67.5

As reported in the statement of activities, the cost of all of our governmental activities this year was \$1,121.9 thousand. Certain activities were partially funded by other governments and organizations that subsidized certain programs with grants (\$131.5 thousand). We paid for the remaining "public benefit" portion of our governmental activities with \$941.0 thousand in state foundation allowance and other revenues, such as interest and general entitlements.

The Academy experienced a decrease in net assets of \$49.4 thousand. The key reason for the change in net assets is the increased interest expense due to long-term debt. The Academy has increased long-term debt interest to finance the acquisition of the building in which it operates. In addition, Academy revenues have not kept pace with instructional program expenses. The board of directors and administration must annually evaluate the needs of the Academy and balance those needs with state-prescribed available unrestricted resources.

Macomb Academy

Management's Discussion and Analysis (Continued)

The Academy's Funds

As we noted earlier, the Academy uses the General Fund to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Academy is being accountable for the resources the State and others provide to it, and may provide more insight into the Academy's overall financial health.

As the Academy completed the 2008 fiscal year, the General Fund reported a fund balance of \$233 thousand, which is an increase of \$1 thousand from the previous year. The Academy continues to monitor its budget and streamline operations to reduce the impact on fund equity. In the 2008 fiscal year, the Academy experienced a pupil count increase that increased the foundation revenue received from the State, as well as an increase in the foundation allowance.

General Fund balance is available to fund costs related to allowable school operating purposes.

The Capital Projects Fund was established during the year and reported a fund balance of approximately \$385 thousand. The capital project is approximately 75 percent complete and will continue to be in existence during the 2009 fiscal year.

The Debt Service Fund was established during the year and reported a fund balance of approximately \$208 thousand. The Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

No significant budget revisions were made during the year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008 and 2007, the Academy had \$1,226 thousand and \$72 thousand, respectively, invested in capital assets, including a building, building improvements, furniture and equipment, and vehicles. This amount represents an increase of \$1,154 thousand from last year exclusively due to the purchase of a building and its improvements during the year.

Macomb Academy

Management's Discussion and Analysis (Continued)

	2008	2007
Buildings	\$ 1,125,983	\$ -
Building improvements	28,091	-
Furniture and equipment	47,977	47,977
Vehicles	24,362	24,362
Total capital assets	<u>\$ 1,226,413</u>	<u>\$ 72,339</u>

The purchase of a building took place in December 2007, which was financed with the sale of bonds. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of the year, the Academy had \$1.770 million in bonds outstanding compared to having no outstanding debt at the end of the previous year. The outstanding debt was the result of the 2007 revenue bond issuance of \$1.8 million used to finance the building purchase (see Note 6 for further explanation).

Economic Factors and Next Year's Budgets and Rates

Our board of directors and administration considered many factors when setting the Academy's 2008-2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The fiscal year 2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 80 percent of total General Fund revenue is from state funding. As a result, the Academy's funding is heavily dependent on the State's ability to fund school operations. Based on enrollment data at the start of the 2008-2009 school year, the fall student count is approximately equal to the estimates used in creating the 2008-2009 budget. Once the final student count and related per pupil funding are validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue to be received will depend on the State's ability to collect revenues to fund its appropriation to academies. The State has passed a State Aid Bill for 2008-2009 that provides for an increase in the foundation allowance of \$112 per pupil. The Academy projected a \$140 increase in the foundation allowance when the budget was created.

Macomb Academy

Statement of Net Assets June 30, 2008

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents (Note 3)	\$ 118,989
Due from other governmental units	185,178
Prepaid costs	785
Restricted assets	569,906
Capital assets - Net (Note 4)	<u>1,172,203</u>
Total assets	2,047,061
Liabilities	
Accounts payable	10,894
Accrued payroll and other liabilities	54,244
Due to other governmental units	4,550
Long-term liabilities (Note 6):	
Due within one year	20,000
Due in more than one year	<u>1,750,000</u>
Total liabilities	<u>1,839,688</u>
Net Assets	
Investment in capital assets - Net of related debt	(236,314)
Restricted:	
Debt service	207,622
Capital projects	3,142
Unrestricted	<u>232,923</u>
Total net assets	<u><u>\$ 207,373</u></u>

Macomb Academy

Statement of Activities Year Ended June 30, 2008

		Program Revenues	Governmental Activities
			Net (Expense)
		Operating Grants/ Contributions	Revenue and Changes in Net Assets
	Expenses		
Functions/Programs			
Primary government - Governmental activities:			
Instruction	\$ 533,386	\$ 131,485	\$ (401,901)
Support services	501,918	-	(501,918)
Community services	18,652	-	(18,652)
Interest on long-term debt	61,426	-	(61,426)
Depreciation (unallocated)	6,510	-	(6,510)
Total governmental activities	<u>\$ 1,121,892</u>	<u>\$ 131,485</u>	(990,407)
General revenues:			
State aid not restricted to specific purposes			843,888
Interest and investment earnings			4,435
Other			92,720
Total general revenues			<u>941,043</u>
Change in Net Assets			(49,364)
Net Assets - Beginning of year			<u>256,737</u>
Net Assets - End of year			<u>\$ 207,373</u>

Macomb Academy

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 118,989	\$ -	\$ -	\$ 118,989
Due from other funds (Note 5)	-	-	30,701	30,701
Due from other governmental units	185,178	-	-	185,178
Prepaid costs	785	-	-	785
Restricted assets	-	392,985	176,921	569,906
Total assets	<u>\$ 304,952</u>	<u>\$ 392,985</u>	<u>\$ 207,622</u>	<u>\$ 905,559</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 2,447	\$ 8,447	\$ -	\$ 10,894
Accrued payroll and other liabilities	34,331	-	-	34,331
Due to other funds (Note 5)	30,701	-	-	30,701
Due to other governmental units	4,550	-	-	4,550
Total liabilities	72,029	8,447	-	80,476
Fund Balance				
Reserved:				
Capital projects (bonded)	-	384,538	-	384,538
Debt service	-	-	207,622	207,622
Prepaid costs	785	-	-	785
Unreserved - Undesignated, reported in General Fund	232,138	-	-	232,138
Total fund balance	<u>232,923</u>	<u>384,538</u>	<u>207,622</u>	<u>825,083</u>
Total liabilities and fund balance	<u>\$ 304,952</u>	<u>\$ 392,985</u>	<u>\$ 207,622</u>	<u>\$ 905,559</u>

Macomb Academy

Governmental Funds Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets June 30, 2008

Fund Balance - Total Governmental Funds **\$ 825,083**

Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Cost of the capital assets	\$ 1,226,413	
Accumulated depreciation	<u>(54,210)</u>	1,172,203

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Bonds payable included premium/discount		(1,770,000)
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Accrued interest payable is not included as a liability in governmental funds		<u>(19,913)</u>
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Net Assets - Governmental Activities **\$ 207,373**

Macomb Academy

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenue				
Local sources	\$ 92,720	\$ 3,142	\$ 1,293	\$ 97,155
State sources	843,888	-	-	843,888
Federal sources	109,883	-	-	109,883
Interdistrict sources	<u>21,602</u>	<u>-</u>	<u>-</u>	<u>21,602</u>
Total revenue	1,068,093	3,142	1,293	1,072,528
Expenditures				
Current:				
Instruction	533,386	-	-	533,386
Support services	381,843	-	-	381,843
Community services	18,652	-	-	18,652
Debt service:				
Principal	-	-	30,000	30,000
Interest	-	-	41,513	41,513
Capital outlay	<u>3,715</u>	<u>1,270,434</u>	<u>-</u>	<u>1,274,149</u>
Total expenditures	<u>937,596</u>	<u>1,270,434</u>	<u>71,513</u>	<u>2,279,543</u>
Excess of Revenue Over (Under) Expenditures	130,497	(1,267,292)	(70,220)	(1,207,015)
Other Financing Sources (Uses)				
Transfers in	-	-	277,842	277,842
Transfers out	(129,672)	(148,170)	-	(277,842)
Long-term debt issued	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Total other financing sources (uses)	<u>(129,672)</u>	<u>1,651,830</u>	<u>277,842</u>	<u>1,800,000</u>
Net Change in Fund Balances	825	384,538	207,622	592,985
Fund Balances - Beginning of year	<u>232,098</u>	<u>-</u>	<u>-</u>	<u>232,098</u>
Fund Balances - End of year	<u><u>\$ 232,923</u></u>	<u><u>\$ 384,538</u></u>	<u><u>\$ 207,622</u></u>	<u><u>\$ 825,083</u></u>

Macomb Academy

Governmental Fund - General Fund Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of the General Fund to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balance - Total General Fund **\$ 592,985**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Depreciation expense	\$ (6,510)	
Capitalized capital outlay	<u>1,154,074</u>	1,147,564

Bond issuance is not reported as financing sources on the statement of activities	(1,800,000)
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(19,913)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>30,000</u>
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Change in Net Assets of Governmental Activities **\$ (49,364)**

Note I - Summary of Significant Accounting Policies

The accounting policies of Macomb Academy (the "Academy") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy:

Reporting Entity

The Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on July 28, 1995.

The Academy has entered into a contract with Central Michigan University (CMU) to charter a public school academy through June 30, 2012. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. CMU is a limited fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays CMU 3 percent of its state aid revenue as administrative fees. The total administrative fee paid for the year ended June 30, 2008 to CMU was \$25,012.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Academy. Based on application of the criteria, the Academy does not contain component units.

Academy-wide and Fund Financial Statements

The Academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy-wide activities are considered governmental activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported individually in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-wide Financial Statements - The Academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

Note I - Summary of Significant Accounting Policies (Continued)

The Academy reports the following major governmental funds:

General Fund - The General Fund is Macomb Academy's primary operating fund. It accounts for all financial resources of the Academy.

Capital Projects Fund - The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring and renovating a building. The fund operates until the purpose for which it was created is accomplished.

Debt Service Fund - The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the related bond issues.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - Trade receivables are shown net of an allowance for uncollectible amounts. The Academy considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds of the Capital Projects Fund require amounts to be set aside for construction and the debt funds cash required to be used for future bond payments. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include a building, building improvements, furniture, equipment, and vehicles, are reported in the applicable governmental column in the Academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have infrastructure-type assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Furniture, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	50 years
Furniture and equipment	5-20 years
Vehicles	7 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. The face amount of debt issued is reported as other financing sources.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in Macomb Academy's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function, which is a summarization of the Academy's line-item adopted budget. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits academies to amend their budgets during the year. The Academy increased budgeted amounts during the year in response to changes in funding sources, changes from anticipated pupil counts, and necessary expenditures. The Academy did not have significant expenditure budget variances.

The amount of outstanding encumbrances (purchase orders, contracts, etc.) at June 30, 2008 is not known. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Capital Projects Fund Compliance - The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the Academy has complied with the applicable provisions of section 1351a of the State of Michigan's School Code.

Note 3 - Deposits and Investments

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority.

The Academy has designated one bank for the deposit of its funds.

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk of bank deposits is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. At year end, the Academy's deposit balance of \$145,590 included \$45,590 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. At June 30, 2008, the Academy did not hold any investment securities that were uninsured and unregistered.

Note 3 - Deposits and Investments (Continued)**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Academy does not have a policy regarding interest rate risk, nor does the Academy hold investments with interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Academy's investment policy does not further limit its investment choices. The Academy does not hold investments with credit risk. At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Weighted Average Maturities	Rating	Rating Organization
Bank investment pool	\$ 569,906	N/A	Aaa	Moody's, S&P, Fitch

Concentration of Credit Risk

The Academy places no limit on the amount it may invest in any one issuer. The Academy does not have a policy regarding concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the Academy's policy prohibit investments in foreign currency.

Macomb Academy

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets being depreciated:				
Buildings	\$ -	\$ 1,125,983	\$ -	\$ 1,125,983
Building improvements	-	28,091	-	28,091
Furniture and equipment	47,977	-	-	47,977
Vehicles	24,362	-	-	24,362
Subtotal	72,339	1,154,074	-	1,226,413
Accumulated depreciation:				
Furniture and equipment	30,298	3,030	-	33,328
Vehicles	17,402	3,480	-	20,882
Subtotal	47,700	6,510	-	54,210
Net capital assets being depreciated	<u>\$ 24,639</u>	<u>\$ 1,147,564</u>	<u>\$ -</u>	<u>\$ 1,172,203</u>

Depreciation expense was not charged to activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

Construction Commitments - The Academy has active construction projects at year end. The projects are reported in the 2007 bond issue. At year end, the Academy's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
2007 bond issue	<u>\$ 28,091</u>	<u>\$ 419,420</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From - General Fund
Debt Service Fund	<u>\$ 30,701</u>

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts.

	Transfers Out		Total
	General Fund	Capital Projects Fund	
Transfers in - Debt Service Fund	<u>\$ 129,672</u>	<u>\$ 148,170</u>	<u>\$ 277,842</u>

Transfers of \$129,672 from the General Fund to the Debt Service Fund were used to finance long-term debt commitments and transfers of \$148,170 from the Capital Projects Fund to the Debt Service Fund were used to adhere to the required bank covenants.

Note 6 - Long-term Debt

The Academy issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Academy. Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities - Bonds	<u>\$ -</u>	<u>\$ 1,800,000</u>	<u>\$ 30,000</u>	<u>\$ 1,770,000</u>	<u>\$ 20,000</u>

Macomb Academy

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2009	\$ 20,000	\$ 119,475	\$ 139,475
2010	20,000	118,125	138,125
2011	25,000	116,775	141,775
2012	25,000	115,088	140,088
2013	25,000	113,400	138,400
2014-2018	170,000	537,300	707,300
2019-2023	230,000	471,825	701,825
2024-2028	325,000	383,063	708,063
2029-2033	450,000	256,500	706,500
2034-2037	480,000	83,363	563,363
Total	<u>\$ 1,770,000</u>	<u>\$ 2,314,914</u>	<u>\$ 4,084,914</u>

General obligation bonds consist of \$1,800,000 serial bonds due in annual installments of \$20,000 to \$130,000 through May 1, 2037, with fixed interest at 6.75 percent.

Note 7 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 8 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The Academy participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

Note 8 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each academy is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Academy's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$54,776, \$44,251, and \$44,185, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The Academy's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$34,416, \$26,739, and \$30,715, respectively.

Note 9 - Service Agreement

The Academy has entered into a service agreement with Macomb Intermediate School District (MISD) under which MISD provides accounting services for the Academy effective November 1, 2006. The Academy paid \$19,000 to MISD for such services during the year ended June 30, 2008.

Required Supplemental Information

Macomb Academy

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 68,750	\$ 76,985	\$ 92,720	\$ 15,735
State sources	823,279	843,888	843,888	-
Federal sources	92,343	92,358	109,883	17,525
Interdistrict sources	49,625	49,183	21,602	(27,581)
Total revenue	1,033,997	1,062,414	1,068,093	5,679
Expenditures - Current				
Instruction	507,636	542,396	533,386	(9,010)
Support services:				
Pupil transportation	41,628	46,692	48,188	1,496
Board of Education	11,700	9,750	9,615	(135)
Executive administration	195,146	197,311	195,741	(1,570)
Other	21,000	12,000	11,925	(75)
Operations and maintenance	208,250	131,593	120,089	(11,504)
Community services	19,400	19,500	18,652	(848)
Total expenditures	1,004,760	959,242	937,596	(21,646)
Other Financing Uses - Transfers out	-	122,735	129,672	6,937
Net Change in Fund Balance	29,237	(19,563)	825	20,388
Fund Balance - July 1, 2007	232,098	232,098	232,098	-
Fund Balance - June 30, 2008	<u>\$ 261,335</u>	<u>\$ 212,535</u>	<u>\$ 232,923</u>	<u>\$ 20,388</u>

Other Supplemental Information

Macomb Academy

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2008

<u>June 30</u>	<u>2007 Series</u> <u>Principal</u>
2009	\$ 20,000
2010	20,000
2011	25,000
2012	25,000
2013	25,000
2014	30,000
2015	30,000
2016	35,000
2017	35,000
2018	40,000
2019	40,000
2020	45,000
2021	45,000
2022	50,000
2023	50,000
2024	55,000
2025	60,000
2026	65,000
2027	70,000
2028	75,000
2029	80,000
2030	85,000
2031	90,000
2032	95,000
2033	100,000
2034	110,000
2035	115,000
2036	125,000
2037	130,000
	<u><u>\$ 1,770,000</u></u>
Principal payments due	May 1
Interest payments due	May 1 and November 1
Interest rate	6.75%
Original issue	<u><u>\$ 1,800,000</u></u>

Macomb Academy

**Report to the Board of Directors
June 30, 2008**

October 21, 2008

To the Board of Directors
Macomb Academy
39092 Garfield
Clinton Township, MI 48035

Dear Board Members:

We have recently completed our audit of the basic financial statements of Macomb Academy for the year ended June 30, 2008. In addition to our audit report, we are providing the following required audit communication, summary of unrecorded possible adjustments, and informational comments which impact the Macomb Academy:

	<u>Page</u>
Results of the Audit	3-5
Summary of Unrecorded Possible Adjustments	6
Informational Items	7-8

We are grateful for the opportunity to be of service to the Macomb Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk

cc: Dr. Betty Yee
Robyn Randazzo
Vicki Laseke

Results of the Audit

To the Board of Directors
Macomb Academy
39092 Garfield
Clinton Township, MI 48035

We have audited the financial statements of Macomb Academy for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 28, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under those *Government Auditing Standards*, we have made some assessments of Academy's compliance with certain provisions of laws, regulations, contracts and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. There were no instances of noncompliance conditions identified during our audit. We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* requires disclosure of illegal acts to applicable government agencies.

To the Board of Directors
Macomb Academy

If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters on September 29, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule includes one uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Directors
Macomb Academy

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Academy we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Academy’s auditors.

This information is intended solely for the use of the Board of Directors, management, federal awarding agencies, and pass-through entities of Macomb Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk

October 21, 2008

To the Board of Directors
Macomb Academy

Governmental Activities

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to Increase (Decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Assets	Liabilities	Net Assets	Revenue	Expenditures
KNOWN MISSTATEMENTS:						
A1	Adjustment to capitalize & amortize issuance costs & discount	31,200				(31,200)
A2						
ESTIMATE ADJUSTMENTS:						
B1						
B2						
IMPLIED ADJUSTMENTS						
C1						
C2						
		-	-	-	-	-
	Total	<u>\$ 31,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,200)</u>

Informational

These items have been discussed with your administration and are presented here for your information as the policy making body of the Academy.

Funding, Budgeting and Fund Equity

This past school year began with the State's inability to put a budget plan together, resulting in a short state shut down in October. These budget challenges at the State level meant that the Academy operated for 3 months without knowing the final funding level the state was to provide for the 2007/2008 fiscal year. Once the plan was agreed upon, the State was able to fully fund the plan, which included a total foundation allowance increase of \$119 per pupil for Macomb Academy, well below inflationary cost increases.

For the current fiscal year, schools were required to adopt their initial budget prior to July 1, 2008. At the time of initial adoption there were significant variables that are unknown. In addition to the 2008/2009 blended student count, which is always unknown, the Governor and Legislature continued to work through the State's budget issues going into July 2008. Once again schools were asked to establish budgets without knowing the level of funding to be provided by the state. As you are aware, a compromise was reached resulting in a \$112 foundation allowance increase per pupil for Macomb Academy, which is still far below an increase that would be necessary to catch up to inflation for all the years of zero to little increases and pro-rations. The status of Michigan's economy will be a key determinant in state's ability to fund its plan for this year. If the state is not able to sustain its funding plan, state law requires that the budget be balanced using either legislative action or proration. Clearly, history shows that school aid is not easy to predict. Add to the funding challenges, the uncertainty of utility and fuel costs as well as retirement costs and you begin to see that the initial budget is really tentative.

The Academy's prudent monitoring of budgeted revenues and expenditures over the years coupled with proactive decisions has demonstrated fiscal responsibility and resulted in a sustained positive financial position. Especially in an era of continued lower than inflation level of funding provided to schools, we believe it is essential for the Academy to maintain its fund equity at an appropriate level. Prudent budget planning and fund balance management will continue to be essential elements for the Academy's success.